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Federal Circuit Reverses Finding of No Subject Matter Jurisdiction in Declaratory Judgment Action

The Court of Appeals for the Federal Circuit recently reversed a finding by the district court that it lacked subject matter jurisdiction. In *ABB v. Cooper Industries*, Cooper had originally sued ABB for infringement of various patents related to electrical equipment that contains dielectric fluid which is used to electrically insulate and thermally protect equipment such as transformers. The parties then settled the litigation and entered into an exclusive license agreement.

ABB then began to manufacture products pursuant to the license and used a third party to help in the process. Cooper believed that the outsourcing was in contravention of the license and requested that ABB cease use of a third party. ABB refused and Cooper threatened enforcement of its patent. In response, ABB sued for declaratory judgment that it was not in violation of the license agreement. Cooper moved to dismiss the declaratory action, and the district court granted Cooper's motion, reasoning that ABB's cause of action only sounded in a contract claim under state law, and did not arise under the patent laws and therefore there was no federal jurisdiction.

The Federal Circuit disagreed with the district court's analysis. The Court explained that the relevant inquiry for subject matter jurisdiction is not whether ABB's defense to infringement was a state law claim under the license agreement, but whether the threatened action created a federal cause of action. Here, the DJ defendant's hypothetical well pleaded complaint would sound in patent infringement - a federal cause of action. "When the declaratory defendant's hypothetical suit arises under federal law, what is litigated in such a situation is the precise issue which could have been litigated in federal court in a coercive action brought by the declaratory defendant." Cooper could have sued for patent infringement, therefore declaratory judgment jurisdiction clearly exists.

Federal Circuit Remands Case To Increase Damages Award

In *Siemens Medical Solutions v. Saint-Gobain Ceramics*, the Federal Circuit was called upon to determine whether the district court erred in denying St. Gobain's motion for JMOL and its award of damages to Siemens. The dispute in this case was over the composition of crystals that convert gamma rays into light to produce a three dimensional image of the body for the diagnoses of various diseases including cancer. Siemens makes its own crystals for its positron emission technology (PET) and St. Gobain makes a similar crystal that is used by Phillips.

St. Gobain argued that the awards of damages should be reduced.

The district court had originally given the jury an instruction that allowed them to award Siemens nearly $45 million in lost profits based on the sale of crystals for 61 different scanners made by Phillips. However, instead of reducing the damage award, the Federal Circuit said that the jury instructions given by the district judge were wrong in that the jury was not allowed to award damages for an additional 18 scanners sold by Phillips that used St. Gobain's crystals. These scanners were actually manufactured before the patent expired, but were not sold until after expiration. The damages award was vacated and the case has been remanded back to the district court for a determination of additional damages based upon a reasonable royalty for the additional 18 scanners, to be added to the award of ~$45 million in lost profits.

Limiting Number Of Patent Claims Which Could Be Asserted In Case Did Not Violate Due Process

Katz filed 25 separate suits against different defendants between 2005 and 2006. The suits were eventually consolidated. Across all 25 actions, Katz asserted a total of 1,975 claims from 31 patents against 165 defendants in 50 groups of related corporate entities ("defendant groups"). The district court ordered Katz initially to select no more than 40 claims per defendant group, and after discovery to narrow the number of selected claims to 16 per defendant group. The court further directed that the total number of claims to be asserted against all defendants could not exceed 64. However, the court added a proviso that the limitations on the numbers of claims were not immutable. The proviso permitted Katz to add new claims if they raised issues of infringement/validity that were not duplicative of previously selected claims.

After discovery, the defendants moved for summary judgment. The district court held that all of the selected claims were either invalid or not infringed. On appeal, Katz asserted a number of errors. First, Katz claimed that the district court had deprived him of due process by limiting the number of claims which he could assert certain of the patent claims. The Federal Circuit rejected this argument-stating that Katz did not meet its burden in showing that he would be "erroneously deprived" of property rights in asserting all of this claims. Indeed, the Court noted that the district court gave Katz the right to assert any other patent claim so long as they were not duplicative of claims that he was already asserting. The Federal Circuit explained that in a complex multidistrict litigation the trial judge must have broad discretion to move the case forward.

In addition, the district court had found that many of the asserted claims were invalid as indefinite and for lack written description under 35 U.S.C. § 112. The Federal Circuit affirmed the district court's rulings with respect to some claims, but vacated the rulings with respect to other claims.

The Federal Circuit affirmed the district court's grant of summary judgment that many of the asserted claims were invalid as obvious under 35 U.S.C. § 103. The Federal Circuit also affirmed the three claim constructions which Katz had appealed. However, the case was remanded with respect to other claim interpretations.

The Federal Circuit also affirmed the district court's grants of summary judgment of noninfringement of claim 5 of the '223 patent, but vacated the district court's grant of summary judgment of noninfringement against American Airlines on claim 43 of the '863 patent and

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remanded for further proceedings on that issue.